

STATEMENT

INSURANCE ASSOCIATION OF CONNECTICUT

Insurance And Real Estate Committee

February 25, 2014

**SB 194, An Act Concerning Risk Management And Own Risk
And Solvency Assessments For Domestic Insurers**

The Insurance Association of Connecticut, IAC, supports SB 194, An Act Concerning Risk Management And Own Risk and Solvency Assessments For Domestic Insurers.

IAC supports SB 194 which adopts the National Association of Insurance Commissioners (NAIC) model for Own Risk and Solvency Assessments (ORSA) for domestic insurers.

The ORSA Model was developed by the NAIC to monitor the adequacy of insurer's risk management activities. The requirements in SB 194 will enable the Connecticut Insurance Department to assess current and likely future solvency of an insurer through the self-assessment and disclosure of reasonably foreseeable and relevant material risks. An insurer that is subject to the ORSA requirement will be expected to have a risk management framework, to regularly assess the adequacy of that risk management framework and current prospective solvency position, to internally document the process and results, and to provide an annual high-level summary report to the lead state regulator. The insurance industry worked diligently with the NAIC during the development of both the Guidance Manual and Model Law to ensure rigorous and effective requirements for the assessment of insurers risk management programs. SB 194 adopts the model and even incorporates, as other states have done, the essence of the model's drafting note that recognizes that date of filing an insurer's or insurance group's ORSA Summary Report which is based on the insurer or insurance group's timeline making its filing dependent upon such entities conducting its internal

strategic planning process, thus not requiring such entities to file such report on an arbitrary date. Adoption of the model is critical for uniformity and ease of administration.

IAC appreciates the Insurance Department and LCO's hard work to produce a bill that conforms to the model while addressing the concerns previously raised by the industry. The IAC respectfully requests this committee's adoption of SB 194.